

VZCZCXRO1515  
RR RUEHAG RUEHDF RUEHIK RUEHLZ  
DE RUEHLI #1814 2371618  
ZNR UUUUU ZZH  
R 251618Z AUG 06 ZDK  
FM AMEMBASSY LISBON  
TO RUEHC/SECSTATE WASHDC 5101  
INFO RUCNMEM/EU MEMBER STATES  
RUEHMO/AMEMBASSY MOSCOW 0448  
RUEHAS/AMEMBASSY ALGIERS 0058  
RUEHLU/AMEMBASSY LUANDA 0532  
RHEBAAA/DEPT OF ENERGY WASHDC

UNCLAS LISBON 001814

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR EUR/WE KEVIN OPSTRUP

E.O. 12958: N/A

TAGS: [ENRG](#) [TRGY](#) [EPET](#) [ECIN](#) [ECON](#) [EMIN](#) [PREL](#) [PO](#) [RS](#)

SUBJECT: PORTUGUESE TO MEET WITH RUSSIANS ON NATURAL GAS  
DEAL

11. (U) SUMMARY: MFA Senior European Political Advisor informed Pol/Econ officer that Gazprom representatives were in Portugal in April to discuss the sale of liquified natural gas (LNG) from Gazprom to Portuguese Energy Company Galp Energia (Galp) via Algeria. A follow-up meeting is scheduled for this Fall to discuss the proposal further as well as a possible joint-venture for natural gas exploration in Angola. Gazprom's growing interest in supplying gas to Europe and its August 2006 MOU with Algerian state-owned gas provider Sonatrach Petroleum have sparked debates in the EU over energy security in Europe. END SUMMARY.

PRELIMINARY MEETINGS CONFIRMED  
-----

12. (U) On August 17, Pol/Econ officer met with Senior European Political Advisor Liliana Araujo to discuss the potential impact on Portugal of the August 2006 Gazprom-Sonatrach Petroleum MOU to jointly increase natural gas exploration and production. (Note: Eighty percent of Portugal's natural gas comes from Algeria.) Araujo noted that energy security was a priority of every EU country and that Portugal was no exception. She commented that Portugal was planning to diversify its energy sources by lowering its dependency on oil and creating a balance between importation of natural gas in its normal state and as LNG.

13. (SBU) Araujo explained that Gazprom representatives approached Portuguese government officials with a proposal to procure LNG from Gazprom via Algeria when it learned of Portugal's intentions to diversify. In April 2006, then MFA Deputy StateSec for Foreign Affairs Bernardo Ivo Cruz and Gazprom CEO Alexander Medvedev met to discuss the sale of LNG from Gazprom to Galp. A follow-up meeting between Galp officials and Gazprom representatives is scheduled for the Fall. Araujo underscored that discussions were in the preliminary stage and that no agreement had been reached.

14. (SBU) With regard to reports of a joint-venture initiative in Angola, Araujo suggested that the proposal was "too ambitious" for now, but that the idea could be included in future discussions.

NATURAL GAS IN PORTUGAL  
-----

15. (U) Portugal has limited domestic energy reserves and imports 90% of its energy. To reduce its dependency on oil and diversify its energy supply, Portugal began importing natural gas in 1997. By 2005, natural gas represented around 12% of total energy consumption in Portugal, with oil

representing 66%, coal 12%, and renewable energies 10%. Portugal imports 100% of its natural gas, with 80% coming from Algeria and 20% coming from Nigeria. Natural gas from Algeria is transported via the Maghreb-Europe pipeline through Spain and LNG is transported via vessels from Nigeria to the Sines regasification-import terminal in southwestern Portugal.

¶6. (SBU) COMMENT: Arraujo acknowledged that some EU countries are concerned about Russia's increasing influence in the energy affairs of Western Europe and expected the Gazprom-Sonatrach MOU to raise eyebrows within the Union. Despite this, Portugal appears willing to work with Gazprom as part of its energy security strategy and is likely to pursue a Gazprom-Galp deal beyond the preliminary stage.  
O'Neal